Securing Property Rights in the Early Modern Europe:

Case of Consular Networks[1)]

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近世ヨーロッパにおける財産権確保

――領事ネットワークの場合――

ヤリ・オヤラ

1 Introduction

In the early modern Europe commission agents served as linkages in international trade. These agents offered all kinds of services from clearing the cargoes carried by the ships; selling and buying goods; acting as intermediates between local businessmen and occasional foreign ships; providing insurances; handling bills of exchange; and offering freights to carry with ships between different port towns trades—and most importantly, providing information for the parties of trade. These commission agents were the actors to connect countries across different areas during the first era of globalization. Indeed, this first era of globalization was about connections between different areas, as stated, for example, by Patrick O'Brien.[2)] These commission agents are a rather neglected group by historians, even though they were extremely important in overseas trade during a long period of time—and are important even today.

Merchant adventurer was the traditional type of "organisation" in international trade during hundreds (or even thousands) of years. This type of organization meant that a merchant carried himself commodities to foreign areas, sold them, bought commodities to import, and returned back home. Merchant adventurer type of trading hindered possibilities to gain economies of scale and scope, as merchant himself was tied to one business adventure during the whole duration of journey, and was usually forced to diversify to sell and buy all kinds of different commodities available.[3)] This can be seen, for example, in long journeys carried out by *Marco Polo* during the turn of thirteenth and fourteenth century. Thus, merchant adventurer type of trade also hindered the possibilities for accelerating growth of international trade. Even during the early modern Europe merchant adventurers were used—and even during the nineteenth century supercargos can be traced on board of ships engaged in long distance trades. These supercargos were personal representatives of the owner of cargo—usually family members or even merchant himself. They were especially used when trading in areas where merchant did not have any previous contacts.

Specialization was the key to solve the challenges in traditional trade created by the merchant adventurer type of organisation. The commission agents played a key role in this specialization of international trade. The com-

mission agent organization was created by market mechanism during a long period of time. There were, however, also governmentally enforced mechanisms in the early modern trade to ease to create contacts between the parties to transact. The most notable mechanism was consular system. These consular services played a crucial role, for example, to Danish and Swedish (including Finnish and Norwegian shipping) during the Eighteenth Century in areas where these countries did not have traditionally any trading contacts. These areas included Mediterranean and North America in particularly. Also consuls *were de facto* commission agents.

Commission agents and consuls acted as intermediates in international trade. These intermediates lowered, by using the framework of North (1990), the transaction costs related to the asymmetrical information in contracting. In this case the costs were induced especially in search for the reliable market information and in negotiating and enforcing the contracts abroad.[4] These uncertainties in the new markets caused comparatively higher transaction costs to the Nordic merchants.[5]

Creating contacts abroad was expensive and risky. Therefore, a third party, namely the state, was employed to provide the reliable intermediate contacts. Consular services provided bonds of trust between the contracting parties, and thus, reduced uncertainties and transaction costs.[6] Therefore, the consular service was a necessary precondition of the new stage of development, as the new markets were situated at distance from Scandinavia.[7]

The Eighteenth century consular service can be seen as a property right provided by the government in order to lower the costs of transacting. Property rights can be determined as the indirect governmental measures to support and to give favourable environmental conditions to the business activities. These rights include also governmental services abroad, like governmental commercial agencies and consular services. Alchian & Demsetz (1973) and North (1981, 1990) among others have argued that the efficient securing of the property rights is essential not only for those who gained direct benefits from these rights (e.g. merchants), but for the economic growth of the nations as whole.[8]

The Swedish and Danish engagement in building up consular services was a typical feature of the mercantilist policy of the Eighteenth century.[9] During that era it was stated as obvious that the role of the government was to promote suitable environment for the foreign trade and shipping: in the last resort trade and commerce provided more revenues (taxes and customs) to government as well. To promote trade overseas was, though, far more complicated issue, because the state had only limited possibilities to offer public goods in foreign areas. Furthermore, in the case of consular services the government signed their power over to private enterprises, because the consuls were in the most cases local businessmen.

2 Defining Consuls

The consuls were representatives of foreign merchants at the distanced ports. From the Seventeenth century, as the interest of governments for business information increased, official agents, correspondents and like were appointed at important business centres. These two functions, to provide governments with business information and to help own state's subjects abroad became linked together.

From this original double role of consuls we can also trace the traditional distinction between honorary

(*consules electi*, *consules honoraires*) and career consuls (*consules missi, consules de carrieré*). Honorary consuls were (and are) usually local businessmen, whilst career consuls are civil servants of the sending state. Career consuls received salary, whilst accordance with international practise, fixed salary was (and still is) not paid for the work of honorary consuls. Usually in modern time career consuls are even forbidden to participate in business activities.[10] According to the international custom honorary consuls abroad are divided to four types: consuls-general, consuls, vice-consuls, and consular agents.[11] This paper will mainly concentrate on the honorary consuls, because the majority of the consuls during the period were of this type.

The honorary consuls of Scandinavian countries in the different parts of Europe were in many occasions rooted by kin to some of the Nordic countries. These Scandinavian origins can be detected roughly by their surnames. For example, 15 per cent (17 out of 112) of the Danish consuls in 1747–1815, and about half of the Swedish consuls at the end of the Eighteenth and during the early Nineteenth century that were engaged to dealings with Finnish ships, had a "Scandinavian" surname.[12] Obviously, there were a lot of advantages of using consuls who had a wide knowledge about the commercial practises both in the sending and in the receiving state. Therefore, the Nordic Boards of Trade gave priority to the Swedish and Danish applicants for consular service. In the royal letter concerning the Swedish consular service from 1719 it was stated that the Swedish applicants should be preferred.[13]

In many cases consuls were, in fact, members of the leading Swedish and Danish merchant families with special business interests in the consular districts. For example, the Swedish consuls in London in the course of almost 100 years (1777–1869) came from two families, the Grills and the Totties, which also had a key role in Sweden's trade with Britain.[14] The Swedish consuls in Amsterdam between 1788 and 1822 were members of the outstanding Hasselgren family, also deeply engaged in the Swedish-Dutch trade.[15]

Majority of consuls received only different kinds of fees: fees for issuing passes, fees for registering ships (based on ship's tonnage), and like. Then consuls in busy ports had much better possibilities for profitable business activities, but the service also required more time. When the exchange between the receiving country and Sweden was too small the consuls could get a special subsistence allowances. The Board of Trade stayed for consular office's costs, such as postage, paper and similar. First in the mid- Nineteenth century the true career consuls were appointed, paid from a special consular fund.

Functions of the consular services can be divided into three main categories. First, consuls gave all kind of help to the citizens of the sending country and promoted the knowledge about the sending state in the receiving country. Secondly, consuls had notary functions: they drew up all kinds of certificates, like passports and so on. They also represented frequently the citizens of the sending country in the courts. The third function was related to the promoting of the commercial exchange between the sending and receiving country.

As regards the third function—the promoting of commerce between the two countries—consuls' most important duty was to provide information. For the first, consular reports provided general information about the receiving country's (district's) political life, economic situation, health situation; information about new acts, especially important from shipping and trade's perspective. Consuls informed about price development, again especially for commodities of interest for the own country. Cuttings from newspapers, price-currents, and prints of new acts, po-

litical comments, and so on sometimes completed the reports.[16] Consular reports also included the situation of the own nation's commerce and shipping at consular district. Thus, consuls registered all own nation's ships arrivals and leavings and summarized these in lists of ships.

Major aims of the consular services were linked to the commerce and shipping, which made consuls important economic actors. Merchants, as well as the Danish and Swedish states, not only achieved the vital commercial information through the correspondence and annual reports, but also information about political changes in the district of the consul. This fact stresses the importance of the consular services from the commercial—as well as from the political—perspective.

3 Consular Services in Practise

The Swedish and Danish consular services expanded to the Mediterranean area during the Eighteenth century. This expansion fits a quite well to the pattern of growth of the trade. The expansion of the direct trade between Scandinavia and Mediterranean area during the Eighteenth century, as pointed out by Alanen (1957), Högberg (1969), Vallerö (1969), Carlén (1997) and others, and the growth of carrying trade with Scandinavian ships in the area as proved by e.g. Carlson (1971), stresses the commercial importance of the Mediterranean area for the Scandinavian merchants. In fact, the volume and the share of the Swedish export to Mediterranean rose significantly during the Eighteenth century. Bar iron and tar exports tripled from the mid-Eighteenth century up to the 1780s, and the timber exports rose by one third. The salt imports from Italy and Spain to Baltic Sea area rose from practically non-existent in the 1720s to a share of one third by the 1780s.[17] The extensive establishment of the Nordic consular services played unquestionably a part in this expansion, though it is far too simple to say that it was the decisive factor. The timber trade to the Mediterranean, for example, consisted already during the late 1730s over 50 per cent of the Swedish and Finnish timber exports.

Another indirect evidence of the importance of the consuls can be traced by studying how frequently the Nordic ships in foreign ports were "addressed" to the local consul, in comparison with commission agents.[18] In these reports there are, for example, notes concerning 580 Finnish ships arriving foreign ports, most often to the Mediterranean area. In about half of the cases also the name of the local agent or person to whom the ship was addressed[19] is noted. In about half of the known cases the person to whom the ship was addressed was, in fact, the consul, his associate or former consul in the district.

Of course, it was not necessary to use the commercial services provided by the honorary consul, but in the most cases it was natural. Especially Finnish merchants did not have any established trade relationships abroad during the 1770s and 1780s, because in many towns the own foreign trade had just begun due to the changes of Swedish staple legislation.[20] Consuls were practical and reliable contacts to make business dealings for these newcomers in trade. Furthermore, consuls usually had clerks who understood Scandinavian languages—or consul himself understood Swedish. This was an important "market value" especially in the cases when the shipmaster had only limited language capabilities. For example, one third of the consular reports sent to the Danish Board of Trade in 1747–1815 were written in Scandinavian language, the rest with the language of the district or in some

major European language.[21)]

In the ledgers of an important Finnish merchant, Abraham Falander[22)] the consular networks were especially important during the year 1790 when about half of the value of his trade outside Finland and Sweden was deal with the consuls. During the years 1785–1815 about one third of the Falander's transactions abroad were dealt with consuls, and over one fourth of the value of his trade. From all the foreigners that Falander had trade relationships with during the turn of the Eighteenth and Nineteenth century, 27 per cent were consuls. It is worth to notify that though Finland was connected to imperial Russia in 1809, still in 1815 almost one third of the value of Falander's trade was dealt with Swedish consuls, and 17 per cent of the transactions. (Table 1)

The importance of consuls in 1790 in Falander's trade is due to the importance of the trading house Hasselgren in Amsterdam. The local consul Conrad Adrian (af) Hasselgren (1765–1813) was an important contact with Scandinavians. Conrad Hasselgren was the owner of the Dutch trading house Jan & Carl Hasselgren—he was a son of the other founder, namely, Swedish born Jan (Johan) Hasselgren. Secondly, Conrad Hasselgren gained the status of consul only in 1788, though he had already long time before essential trade relations with Scandinavians. Already in 1785 trading house Hasselgren was the most important trading contact with Falander: over 55 per cent of the value of his foreign trade was dealt with Hasselgren in Amsterdam. Therefore, the consul status was given to the already existing contact.[23)] During the years 1795 and 1800 Falander did not have any stable relations with Dutch merchants due to the Napoleonic wars—therefore, also the share of consuls in the value of trade diminished. With the Hasselgren case it is worth to ask, whether certain consuls were important because they were consuls, or were they consuls because they already were important tradesmen? In the case of Hasselgren the latter answer seems to be more feasible.

Table 1. The importance of the Swedish consuls in Abraham Falander's account books in 1785, 1790, 1800, 1805, and 1815

A	B	C	D	E	F	G	H
1785	5	13	38	29	79	37	18
1790	7	14	50	43	75	57	51
1795	2	13	15	18	58	31	22
1800	5	18	28	29	82	35	18
1805	5	25	20	31	115	27	27
1815	2	13	15	12	70	17	29
1785–1815	26	96	27	162	479	34	27

A = year, B = number of consuls in ledgers; C = number of different business partners in the ledgers (excluding Finland and Sweden); D = per cent share of the consuls; E = number of different transactions with consuls; F = number of transactions with all foreign business partners; G = per cent share of the consuls to before mentioned; H = per cent share of the consuls from the value of the trade (according to the total assets in the personal ledgers).
Source: Archives of Östermyra Bruk in Vaasa Provincial Archives (Vaasa).

Table 2. Share of the Swedish Consuls in the correspondence by Abraham Falander and Matts Johanson Sovelius 1718–1812

A	B	C	D	E	F	G
Falander:						
1781–88 (1785 missing)	64	202	32	160	511	31
1799–99	57	195	29	181	719	25
1800–12	52	200	26	181	708	26
1781–1812	173	597	29	522	1938	27
Sovelius:						
1785–95 (1792 missing)	28	50	56	57	88	65

A = years; B = number of consuls in the correspondence in each year; C = number of all business partners in each year; D = per cent share of consuls in correspondence; E = number of letters sent to consuls; F = number of all sent letters (excluding Finland and Sweden); G = per cent share of consuls to before mentioned.
Source: Archives of Östermyra Bruk in Vaasa Provincial Archives (Vaasa). Archives of trading house Sovelius in Private Archives of Eero Sovelius-Sovio (Jyväskylä).

The same story can be detected also from the correspondence of Falander—as well as from the correspondence of another Finnish merchant-ship owner, namely Matts Johanson Sovelius—from the 1780s and 1790s (Table 2). It is worth to note that in business letters there are far more different consuls that there are in the ledgers; this stresses the fact that in many cases consuls were used purely in information gathering or for some practical reasons. In Falander's correspondence (excluding Finland and Sweden) over one fourth of the all the business letters were sent to consuls. Sovelius was much minor player in international trade and shipping. Therefore, it is not surprising that in his correspondence 65 per cent of the letters were sent to the Swedish consuls.

4 Conclusion

The account books and correspondence preserved from the Finnish merchants from the late Eighteenth Century witnesses that consular networks were important in promoting the trade. The Swedish and Danish trade and shipping rose significantly during the Eighteenth century. In this expansion the consular services did play an important role, though it was only one determining variable. In some areas, especially the distanced and new for Scandinavians, it most probably made the difference. In fact, the question whether consular service was a precondition to the trade, or whether the expansion of the trade led to the establishment of the consular service in certain areas cannot be answered unambiguously. Apparently the absence of the consular service could cause difficulties to the business activities, which can be easily detected in the Finnish case. The Finnish trade and shipping ceased down for decades in the Mediterranean area when Finland was joined to imperial Russia that did not have any consular services within the area. In this case the far more important determining variable was, though, the absence of the trade agreements between Russia and Barbary States.[24] The absence or existence of a public good, whether consular services or trade

agreements, was a decisive factor of failure or success.

The importance of each consul varied and the system did not work equally well in all areas. As the case of the United States shows, consuls cannot generate trade if there is no "natural" trade to develop. One cannot detect the importance from the archives of the Board of Trade. Though, as Theo Barker stresses, "some of them (consuls) did little more than forward newspaper cuttings",[25] they could still play an important role in practical trade relations.

The status of consul was important for the consul himself. The status of "consul" was the symbol of trustfulness, and thus it promoted their "market value". Honorary consuls were in many occasions the most important traders of Nordic goods and services at their area. On the other hand, the merchants in Sweden and Denmark were well aware about the fact that consular network promoted exchange. Usually consuls had some relations with Nordic merchants already before the appointment, but the status of consul promoted even more commercial relations.

Notes

1) This paper is based on Müller and Ojala 2002/2006 and owes largely on Müller 2004.
2) O'Brien 2006.—see also McNeill 1990; Northrup 2005.
3) Greif 1989.
4) North & Thomas 1973; North 1981; North 1990.
5) Coase (1937; 1960); Williamson (1975, 1985); North (1985); Stigler 1961; Demsetz 1988, 141–162 and Casson 1993
6) especially Casson 1993, 38.
7) Møller 1981; Högberg 1981.
8) Alchian & Demsetz 1973; North & Thomas 1973; North 1981.
9) Magnusson 2001**;** Supple 1977; Jones 1987.
10) See for example the Finnish code of statutes from 1904, where the instructions to the Russian consuls are stated. *Suomen asetuskokoelma* 10.6.1904, no. 29 (A), Ohjesääntö Venäjän konsuleille 31.12.1902 (13.1.1903).
11) Åström 1922; Samuelsson 1951; Carlson 1971; North & Thomas 1973; North 1985; Högberg 1981; Instructions 1998.
12) Ojala 1997.
13) Almqvist 1912–1915.
14) Almqvist 1912–1915.—On the Grills see Müller 1998.
15) Samuelson 1951.
16) For example, the Danish consul in Lisbon, Frederico Sietken, sent in 1748 detailed account on how Danish and Norwegian ships and their masters should proceed when arriving the port of Lisbon. Danish Board of Trade, Tyske sekretariat, Konsulatet i Lissabon 1748 (undated). Danish National Archives (Copenhagen)
17) Salt imports include all the salt trade to Baltic counted from the Sound Toll statistics. The share of Swedish and Finnish imports rose from c. 15 per cent (1721/30) to c. 40 per cent (1781/83). Högberg 1969; Historisk statistik.
18) Ojala 1997.
19) This does not necessarily mean that the ship was commissioned to the named person. See Myrhe 1917.
20) Several Finnish towns achieved staple rights in 1765, namely, the rights to the own direct foreign trade.
21) Ojala 1997.
22) Abraham Falander was among the most important merchants in Finland at the time: based on the property taxation of 1800, his fortune was the second largest in Finland. Jutikkala 1949; Bonsdorff 1956; Alanen 1970.
23) After Conrad Adrian Hasselgreen (ennobled in 1790 as af Hasselgren) passed away in 1813 his son Jan Adrian af Hasselgren (Jr.) gained his possition as the Swedish consul in the area, up to 1822 when the company was driven to difficulties. Almquist 1912–1915; Svenskt Biografiskt Lexikon 1969–1971; Samuelson 1951.
24) Ojala 1997.
25) Barker 1981.

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